

complaint

Mr R complains that Lending Stream LLC gave him loans that he couldn't afford to repay.

background

Mr R took out 11 instalment loans between July 2013 and August 2016. He says he borrowed because of his gambling addiction and Lending Stream's irresponsible lending made his situation worse.

The adjudicator recommended that the complaint should be upheld, saying:

- Lending Stream made proportionate checks before the first two loans. Based on the information Mr R provided about his income and expenditure, the loans appeared affordable.
- Mr R was late with three payments for the second loan and took out the third loan shortly after repaying it. Mr R applied for the fourth loan a day after repaying the third loan. Lending Stream should have made further checks, such as asking about Mr R's short term commitments, before offering the third and fourth loans. But, if it had done so, it was likely it would have assessed the loans as affordable.
- Mr R took out the fifth loan before he'd repaid the previous loan. His highest monthly repayment increased to £326. Mr R continued to take out loans before repaying the previous loan with few breaks in lending. Some payments were late. This suggests financial difficulties. Lending Stream should have looked at Mr R's financial circumstances in detail before offering the fifth and later loans instead of relying on Mr R's self reported income and expenditure. Had it done so, it was likely it would have assessed the fifth loan as affordable. But it would have seen that Mr R had gambling losses and short term commitments which made the sixth and later loans unaffordable.

The adjudicator said that Lending Stream should refund interest and charges on the sixth and later loans, with interest at 8%, and remove adverse information about the loans from Mr R's credit file.

Lending Stream didn't agree. It said based on the information Mr R provided, the credit searches and its own criteria the loans appeared affordable, even when Mr R took out more than one loan. Lending Stream said it was entitled to rely on the information Mr R provided and didn't know this wasn't correct.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Loans 1 and 2

Mr R took out the first loan, of £300, in mid 2013. He told Lending Stream his monthly income was about £1,250 and his expenditure was £250. Given the amount of the loan and Mr R's stated income, I think these checks were proportionate.

Mr R took out the second loan, of £350, in June 2015. He said his monthly income was £1,650 and his expenditure was £360. Given the gap in borrowing and the amount of the loan, I think these checks were proportionate.

Loans 3, 4 and 5

Mr R was late with three payments for the second loan. He took out the third loan in November 2015, shortly after repaying the second loan. Mr R applied for the fourth loan a day after repaying the third loan and took out the fifth loan while the fourth loan was outstanding. His highest monthly payment was £326.

Mr R's borrowing pattern (late payments and re-borrowing without a break between loans) could suggest financial difficulties. Lending Stream should have asked for more information about Mr R's expenditure, including his short term commitments. But, if it had done so, it was likely it would have assessed the loans as affordable. Mr R had enough income to meet his usual living expenses and financial commitments, including his short term commitments, and his loan repayments.

Loan 6 onwards

Mr R continued to take out loans and there were few breaks in lending. This could suggest financial difficulties and reliance on short term loans. I think Lending Stream should have queried why Mr R needed to keep taking out short term loans when he'd told it he had monthly disposable income between ££1,100 and £1,350.

I think Lending Stream should have asked for information to gain a full understanding of Mr R's financial circumstances before offering the sixth and later loans. It should have asked for evidence to support the information Mr R provided, such as bank statements, wage slips, loan and credit card statements, rent and utilities agreements.

Mr R's bank statements show regular payments to gambling businesses and short term lenders during the period he borrowed from Lending Stream. Mr R's gambling expenditure and short term commitments meant he couldn't afford further borrowing. While Lending Stream didn't have to ask for Mr R's bank statements, I think if had asked for more information and evidence about Mr R's expenditure it would have known there was a problem.

Mr R hasn't provided statements for an active current account between October 2015 (when one account closed) and March 2016 (when another account became active). But I think it's unlikely his circumstances were significantly different during this period.

I don't think Lending Stream should have agreed to lend to Mr R after, and including, the sixth loan (taken out in January 2016). So for each of those loans Lending Stream should:

- Refund all interest and charges that Mr R paid on the loans;

- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- Remove any negative information about the loans from Mr R's credit file.

*HM Revenue & Customs requires Lending Stream to take off tax from this interest. Lending Stream must give Mr R a certificate showing how much tax it's taken off if he asks for one.

my final decision

My decision is that I uphold this complaint. I order Lending Stream LLC to amend Mr R's credit file and pay the compensation set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 13 November 2017.

Ruth Stevenson
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